A Program For New Jersey Cities

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By LEO P. CARLIN, Mayor, City of Newark; Member, League Executive Board

New Jersey's future rests in large part of our state's ability to attract new industry to provide jobs for people and the production essential to expanding income and taxable resources. Faced with a population expansion and increased pressures for state and local services, we must increase our industrial potential or find our state in the unenviable position of exporting citizens instead of goods to the rest of the nation and world. Unless New Jersey industry grows with the balance of the nation, our citizens will be forced to seek economic opportunity elsewhere. This would indeed be a travesty!

At the same time, the growth we are looking for in our state must be orderly and soundly conceived. It cannot be centered in some areas of the state at the expense of others; it cannot be so scattered that it creates problems in development of highways, water supplies and other facilities and at the same time results in under-use of existing facilities. Specifically, it would be unsound to develop new areas in New Jersey for industrial use and at the same time permit our urban centers to decline.

New Jersey cities are important to our state's economy. In addition to serving as residential centers, they are also production, service and institutional centers. Tremendous sums of money have been invested by both public and private sectors of the economy to provide facilities essential to a productive economy. Thousands of people daily depend upon the urban centers for employment, and for specialized commercial and professional services. These centers are organized and have the facilities to provide such services; it is in the public interest to assure the fullest possible use of these facilities.


Mayor Carlin

The Problems Facing Urban Centers

A dismal future was recently forecast for a number of New Jersey's urban centers as a result of a study of the North Jersey-New York Metropolitan Area. While there is ample evidence to refute these predictions, they do exemplify some of the thinking relative to New Jersey.

We do not believe that New Jersey cities are dying; we do know that they have problems which require answers. The primary problems are the result of three inter-related factors — obsolescence, congestion and shifting populations. Obsolescence covers public and private structures, street patterns, transit and many other facilities. Congestion stems from high density land uses developed before the automobile opened the way to suburban growth. These have both discouraged redevelopment and resulted in downgrading the urban centers.

To pinpoint the problem of the urban centers, the following points are worth considering. The 15 largest cities in New Jersey have one-third of the state's population. They spend almost 45 percent of the funds for municipal operating budgets. In 1957 these cities paid 97.2 percent of the cost of hospital operation by all municipalities, 63.0 percent of locally-raised welfare funds and 58.0 percent of health costs. While three social services constituted 11.3 percent of total operations for all municipalities, they took 22.9 percent of the operating budgets of the 15 large cities.

In the face of these high social service costs, the cities have a considerably smaller proportion of valuations than their populations and economic activity would indicate. Using unequalized valuations, in 1958 the cities had 35.3 percent of total valuations. However, the New Jersey Division of Taxation 1958 report showed equalized valuations of $26.9 billion with $5.7 billion in the 15 large cities or 21.3 percent of total equalized valuations. Allowing for the failure to equalize personal property and to deduct exemptions, it is still a rather startling fact that our urban centers have so small a portion of the property tax base.

In the period 1949-1958, while total valuations increased by 65.4 percent outside of the urban centers, the 15 large cities showed an increase of but 8.9 percent. While some of these increases are due to equalization and revaluation, it is apparent that the tax base in urban centers is not even keeping pace with the general price level.

There is an answer to these problems. The future of New Jersey's urban centers lies in redesigning and rebuilding them to meet the changing needs of economic and social life and to rebuild their tax base. Urban renewal is the modern answer to meeting the challenge of the future. This implies more than the elimination of slums through redevelopment. It must include conserving existing good neighborhoods and rehabilitating areas that can be saved. It implies planning, improvements in street and highways, traffic and parking, transit, housing and public facilities to make the city more accessible and more attractive. Its ultimate purpose must be to attract new capital investment to promote expansion, provide jobs and secure a larger local tax base.

New Jersey's urban centers have the facilities needed for growth and development. They are still the state's major production centers, with extensive investments in plant facilities, utilities, and public improvements. They are the centers for hospital and professional services, for shopping and for commercial and financial activity. As population centers, they provide a major source of production personnel.

The cities do lack land for expansion. Space for new construction can only be made available by eliminating obsolescent structures; redevelopment is a two-edged sword which can on the one hand eradicate slums and blight and at the same time provide land for reuse to promote new investment.

Paralleling the need for land is the need for a state fiscal policy directed toward developing a sound basis for economic development. Foremost in this area is the development of a modern tax structure suitable to an industrial state. State policy, which places the burden of direct services on the municipality, and centers the burden of local financing on property, must be redesigned to promote a broader sharing of governmental costs by shifting more responsibility for services from the municipality to other levels of government.

The ultimate aim of state fiscal policy must be to develop for New Jersey a system of governmental finance which

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can meet the competition of other states. A sound fiscal program must be designed to promote the competitive advantage of the entire state. Only through such a program can we hope to renew our urban centers.

The Need for State Action

New Jersey's municipalities are creatures of the state. The state determines what powers they may exercise. The state establishes the functions for which they are responsible. The state fixes the revenue sources which they can employ to support public services.

The bulk of services to the people must be supplied by the municipality. The full gamut of police, fire, health, welfare and public works services are provided by the local government and the cost is borne for the most part by the property tax. Education and county services in turn rely for the major portion of their support on locally levied and collected property taxes. While other states which are competing with New Jersey have broadened their tax bases to include taxes based on economic activity, and have granted broad taxing powers to municipalities, New Jersey continues to operate with a basic tax system designed for a rural agricultural economy to which has been added a patchwork of special excise and other taxes.

Within this framework we have now achieved in New Jersey the unenviable position of extreme variations in local tax levies, but generally at relatively high levels, and the lowest per capita state tax collections in the nation. New industry can, by careful selection, find locations in New Jersey where the overall tax burden is minimized. Established industries in urban centers, seeking space, have in many instances moved to rural sites to escape congestion and high taxes. The urban centers are left with public and private facilities, continued burdens for public services, and a shrinking or stable tax base. At the same time the newer areas are faced with providing new facilities—schools, sewers, streets, police and fire protection and related services — and the state is called on to develop water resources and highways to service an expanding economy.

In the present fiscal atmosphere, New Jersey's urban centers face serious obstacles in their efforts to redevelop. They cannot lift themselves by their own bootstraps because the burdens already imposed upon their limited resources dictate against new investment. The answers to this dilemma lies in action at the state level, to reshuffle local responsibilities and revenue sources to give the cities an opportunity to revive themselves. A sound fiscal base is needed for urban renewal; it can only be supplied by the state, which has created the present policies within which the urban centers must operate.

Four broad areas of policy require review and revision to develop an economic climate which will encourage urban renewal. The first of these is the state tax system which through its reliance on property taxes for support of local, school and county services hampers urban centers. The second deals with the present allocation of functions and service, which requires municipal governments to support the bulk of direct services to the people. The third is related to the first two, and involves state aid to municipalities, which in New Jersey is extremely limited. Finally, the state's participation—or lack of participation—in urban renewal requires examination.

The Tax System

The urban centers are hampered in renewal by an archaic tax system designed for a rural agricultural society. Governmental costs in urban centers are high because of obsolescent plant, congestion and high proportions of low-income families. While the state draws much of its revenues from industrial, commercial and financial activity in these municipalities, it shares little of the burden except for direct relief aid. Suburban communities, whose residents rely on cities for employment and specialized services of all kinds provide little or no support for the services they require from the cities.

As the burden of support for extensive central city services increases, it rests more heavily on real and personal property, and the return on such property decreases. New investment in urban centers finds little incentive, and even normal replacement may become a problem. When capital can find greater earning opportunities outside of the center, it will inevitably move to take advantage of such opportunities.

Taxes are not the major factor in industrial site selection. In New Jersey, however, where combined state-local tax burdens on industry are as much as 60% higher in urban centers than the average, and where locations can be found with burdens of 30% to 40% below average, the tax picture can be of major consequence. Undue reliance on property taxes has undoubtedly also played a major part in the decline of housing, encouraging over-crowding and deferred maintenance in order to maxamize income. Heavy reliance on property taxes discourages industrial location and encourages blight and obsolescence in the urban centers.

If New Jersey's principal cities are to renew themselves through redevelopment, the local financial base must be revised to place less emphasis on property taxation. This requires state action to provide other revenue sources for municipal government, so that a major barrier to investment in property can be eliminated.

Broadening Responsibility for Service

Under present state policy, the principal responsibility for services rests with the municipality. This traditional approach in New Jersey may have been satisfactory a half-century ago, when local services were relatively simple and where problems were less complex. The broadened responsibilities brought about by an expanding economy, by invention and by state law should not be supported solely on a municipal tax base. They require broad support by all taxpayers of the state.

The urban center provides business with sites for plant location to which commute daily thousands of workers from other parts of the state. The added health, sanitation and public safety burdens borne by the city must be supported from property taxes. The lower income families who flock to the urban center require education, welfare services, hospitalization and numerous other services which the state requires that the city provide. Yet the state makes only a limited effort to support such services. As the need for services increases, the property tax base becomes less able to bear the full brunt of such costs. The policy of making the municipality accept primary responsibility for virtually all public services is out of step with our modern economy.

Admittedly it is difficult to upset tradition. Where tradition is out of step with the times, we ought to change it. The whole tradition of local financial and administrative responsibility for public services needs re-examination in the light of limited municipal tax bases, growing service needs and the state's existing and potential resources available for supporting public services.

Broadening State Aid

Repeatedly, public officials in New Jersey have pointed to the limited amount of state aid provided for municipal government by the state. In recent years changes in aid for education including increases in total aid, modernization of the aid formula and a new program for construction aid have helped the school systems. However, a check of school property tax levies will indicate that the new programs gave the property taxpayer only short-lived tax relief.

The emphasis on such needs, while a normal result of the pressures generated by rapidly rising costs throughout the state, has completely overshadowed municipal and county requirements. No new programs have been adopted since 1948 when the highway aid program was enacted, and this program has decreased in real dollar value with inflation.

Other states have recognized local needs through a variety of aid pro-

grams which are entirely foreign to New Jersey's financial practices. Broad grants based on population or fixed shares of major broad-based taxes are now used in some states to reduce the tax burden on property. Some have provided for apportionment of a share of highway-user taxes, so that as revenues increase the local apportionment increases. Grants for housing and redevelopment are being used to assist urban centers. Other states have recognized that modern governmental financing in urban centers cannot be supported on a property tax base.

In New Jersey, we must be prepared to insist that the adoption of any new broad-based taxes is accompanied by an equitable formula for distributing a major portion of the tax back to the municipalities on an equitable basis. The tax sources taken from the cities by property tax reform must somehow be replaced. Full recognition of the urban problem requires careful planning to assure that increasing state aid will be granted in the light of pressing urban needs.

Urban Renewal

Urban renewal holds the key to the future of New Jersey's urban centers. By replanning and rebuilding, our cities can maintain their position as attractive centers for industrial and commercial activity, and can attract and hold middle and upper income families.

Urban renewal implies bringing to bear on the cities' problems all available tools and facilities, both public and private. To be successful it will require extensive investment by the public sector to clear land, to revise street patterns, to develop parking and to provide the amenities for pleasant social and business relations. Once made attractive, private investment will be available.

Renewal involves expenditure of such proportions that complete programs are beyond the fiscal capacities of local governments. The Federal government has recognized this in its program under which two-thirds of the net cost of redevelopment is underwritten by the Federal government. In some states recognition of the importance of urban renewal has also been recognized by state assistance in such programs.

New Jersey has done little in this area. While our state government has encouraged local planning, it provides no funds for meeting the problems of urban renewal. To encourage such programs, steps should be taken to supplement local financial resources where necessary in order to speed the process of renewal.

The cities will have to take the lead in developing their own programs, but can accomplish more comprehensive and complete programs only where they can count on adequate financing. The state can help to assure adequate financing through direct grants for renewal, especially in industrial and commercial areas where present Federal aid is not available.

New Jersey's stake in its urban centers is too great to permit them to deteriorate. They are the employment centers, the production centers and the housing centers for the major part of our population. Their prosperity is vital to the future of the entire state. Until the state moves to provide a sound tax structure, to relieve the cities of part of their heavy burden of social services, and to assure greater support for urban renewal, the central cities will be unable adequately to meet the problems which they now face.